

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ransom Memorial Library	County Tuscola
Fiscal Year End 12-31-06	Opinion Date 5-17-07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt + Doran P.C.		Telephone Number 989 673-3137	
Street Address 715 E. Frank St		City Caro	State MI
Authorizing CPA Signature Valerie J. Hartel CPA		Zip 48723	License Number 1101015523

RAWSON MEMORIAL LIBRARY

Cass City, Michigan

REPORT ON FINANCIAL STATEMENTS

As of and for the Year Ended

December 31, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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May 17, 2007

INDEPENDENT AUDITOR'S REPORT

Rawson Memorial Library
Cass City, MI 48726

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Rawson Memorial Library, Cass City, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rawson Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rawson Memorial Library as of December 31, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through IV and pages 12 and 13, are not a required part of the basic financial statements but are required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rawson Memorial Library's basic financial statements. The accompanying additional information such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant additional information, such as combining and individual nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
RAWSON MEMORIAL LIBRARY
FISCAL YEAR ENDING DECEMBER 2006**

This discussion and analysis of the Rawson Memorial District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2006 and comparative data from 2005. Please read it in conjunction with the Library's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts-management's discussion and analysis, the basic financial statements, and the required supplementary information. The basic financial statements include information that presents two different views of the Library.

The first, second and third column of the financial statements include information on the Library's General Fund and Special Revenue Funds under the modified accrual method. These Fund Financial Statements focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The Government-Wide Financial Statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The table below shows key financial information in a condensed format:

ASSETS	2005	2006
Current assets	\$ 773,247	\$ 822,013
Capital assets	<u>\$ 656,968</u>	<u>\$ 634,916</u>
Total assets	\$ 1,430,215	\$ 1,456,929
 LIABILITIES		
Current liabilities	\$ 8,348	\$ 7,897
Long-term liabilities	<u>\$ 7,205</u>	<u>\$ 9,213</u>
Total liabilities	\$ 15,553	\$ 17,110
 NET ASSETS		
Invested in capital assets	\$ 656,968	\$ 634,916
Unrestricted	<u>\$ 757,694</u>	<u>\$ 804,903</u>
Total net assets	\$ 1,414,662	\$ 1,439,819
 REVENUE		
Property taxes	\$ 167,839	\$ 170,013
Gifts & bequests	\$ 18,868	\$ 23,275
Penal fines	\$ 40,273	\$ 58,303
Other	<u>\$ 64,801</u>	<u>\$ 57,465</u>
Total revenue	\$ 291,781	\$ 309,056
 EXPENSES		
Personal service	\$ 181,901	\$ 177,907
Other	<u>\$ 120,026</u>	<u>\$ 105,992</u>
Total expenses	\$ 301,927	\$ 283,899
 CHANGE IN NET ASSETS	\$ <10,146>	\$ 25,157
 NET ASSETS, JANUARY 1	<u>\$ 1,424,808</u>	<u>\$ 1,414,662</u>
 NET ASSETS, DECEMBER 31	<u>\$ 1,414,662</u>	<u>\$ 1,439,819</u>

THE LIBRARY AS A WHOLE

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less accumulated depreciation.
- As a result of this change, the Library reports net assets of \$ 1,439,819 this year on a full accrual basis, as compared to \$ 814,116 on the modified accrual basis of accounting.
- The Library's primary sources of revenue were from property taxes and penal fines for the year ended December 31, 2006. Total tax collections were \$170,013 representing approximately 55 percent of total revenue for the library as a whole. Total penal fines were \$58,303 representing approximately 18 percent of total revenue for the library as a whole.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the year ended December 31, 2006, this expenditure was \$171,621 representing 60 percent of the total expenditures for the library as a whole.
- Depreciation expense totaled \$44,744 or 15 percent of the Library's total expenses.
- Total expenditures for the entire year under the modified accrual method of accounting were \$259,966.

THE LIBRARY'S FUNDS

The budgetary analysis of the General Fund is included on pages 12 and 13, which includes revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance. The fund balance of the General Fund increased during the current year by \$50,214. This represents unspent revenue greater than expenses. The fund balance of the Endowment Fund decreased during the current year by \$759. This represents expenses greater than revenue.

LIBRARY BUDGETARY HIGHLIGHTS

Over the course of the year, the Library Board amended the General Fund and Endowment Fund's budget. The major variance was in penal fines.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of the fiscal year, the Library had \$634,916 (net of accumulated depreciation) invested in buildings, furniture, equipment, books and materials. During the year, \$20,225 was spent on books and new collection items and \$2,594 was spent on equipment.

In April 2006, the Rawson Library changed the General Fund account and Endowment Fund account to Trust Accounts at Chemical Bank. In the past Rawson Library's holdings with Chemical Bank were diversified and held at Chemical Bank, Chemical Shoreline and Chemical West so all monies would have FDIC coverage. In early 2006, all of Chemical Bank's entities combined. Chemical Bank came to the Rawson Library Board and explained the situation and suggested a move of all of Rawson Library General Fund monies into a Trust Account and the Endowment Fund monies into its own Trust Account. This resulted in an increase of interest on both accounts. It also resulted in fees being paid for management of the Rawson accounts.

NEXT YEAR'S MILLAGE RATES

For fiscal year 2006, the Library had two millages: .7455 expiring in 2012, and .35 expiring in 2009.

ECONOMIC FACTORS

The Library's major sources of funding continue to be property taxes and penal fines from the county. This year saw an increase in penal fines of \$ 18,030 from last year's revenue of \$40,273 for a total of \$58,303 for 2006. In 2005, the County Treasurer's audit found an error of overpayment to all libraries in Tuscola County to the tune of \$39,344. Rawson Library's portion was \$4,447. In 2005 the library repaid the \$4,447 via deductions in monthly payments. In actuality, the library received \$44,720 of penal fines in 2005.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kate Van Auken, Library Director, Rawson Memorial Library, 6495 Pine Street, Cass City, MI 48726.

BASIC FINANCIAL STATEMENTS

RAWSON MEMORIAL LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUP
December 31, 2006

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Total - Modified - Accrual Basis
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash on hand & in bank	\$ 244,814	\$ 121,199	\$ 366,013
Certificates of deposits		456,000	456,000
Due from other funds		5,042	5,042
Total current assets	244,814	582,241	827,055
CAPITAL ASSETS:			
Capital assets, net of accumulated depreciation			-
Total capital assets	-	-	-
TOTAL ASSETS	\$ 244,814	\$ 582,241	\$ 827,055
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Deferred revenue	\$ 375		\$ 375
Other current liabilities	93		93
Due to other funds	5,042		5,042
Due to trust and agency fund	7,429		7,429
Total Current Liabilities	12,939	-	12,939
LONG-TERM LIABILITIES:			
Compensated absences			-
Total long-term liabilities	-	-	-
TOTAL LIABILITIES	12,939	-	12,939
<u>FUND BALANCE</u>			
Unreserved	231,875		231,875
Reserved		582,241	582,241
Investment in general fixed assets			-
TOTAL FUND BALANCE	231,875	582,241	814,116
TOTAL LIABILITIES & FUND BALANCE	\$ 244,814	\$ 582,241	\$ 827,055
<u>NET ASSETS</u>			
Invested in capital assets- net of related debt			
Unrestricted			
TOTAL NET ASSETS			

The accompanying notes are an integral part of the financial statements.

<u>GASB No. 34 Adjustments</u>	<u>LIBRARY AS A WHOLE Statement of Net Assets</u>
	\$ 366,013
	456,000
\$ (5,042)	-
<u>(5,042)</u>	<u>822,013</u>
634,916	634,916
<u>634,916</u>	<u>634,916</u>
<u>\$ 629,874</u>	<u>\$ 1,456,929</u>
	\$ 375
	93
\$ (5,042)	-
	<u>7,429</u>
<u>(5,042)</u>	<u>7,897</u>
9,213	9,213
<u>9,213</u>	<u>9,213</u>
4,171	17,110
(231,875)	-
(582,241)	-
	<u>-</u>
<u>(814,116)</u>	<u>-</u>
634,916	634,916
<u>804,903</u>	<u>804,903</u>
<u>\$ 1,439,819</u>	<u>\$ 1,439,819</u>

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Other Nonmajor Governmental Funds
REVENUE:			
Taxes	\$ 170,013		
Penal fines	58,303		
State aid	6,204		
Gifts and bequests	23,275		
Interest income	8,724	\$ 24,203	\$ 130
Charges for service	13,393		
Book fines	3,447		
Loss on CD		(304)	
Newspaper project	1,623		
Other revenue	172		
TOTAL REVENUES	285,154	23,899	130
EXPENDITURES:			
Personal services	171,621		
Books and periodicals	27,229		
Supplies	6,419		
Utilities & phone	12,860		
Professional services	4,278		
Maintenance	9,678		
Memberships	4,304		
Equipment & improvements	4,197		-
Copier expense	6,876		
Insurance	5,996		
Depreciation			
TIFA (Village)	1,725		
Newspaper project	1,624		
Trust Fees		455	
Other expenditures	2,704		-
TOTAL EXPENDITURES	259,511	455	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,643	23,444	130
OTHER FINANCING SOURCES (USES)			
Transfers in	24,571	-	
Transfers out	-	(24,203)	(368)
TOTAL OTHER FINANCING SOURCES (USES)	24,571	(24,203)	(368)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	50,214	(759)	(238)
FUND BALANCE JANUARY 1, 2006	181,661	583,000	238
FUND BALANCE DECEMBER 31, 2006	\$ 231,875	\$ 582,241	\$ -

The accompanying notes are an integral part of these financial statements.

Total - Modified - Accrual Basis	GASB No. 34 Adjustments	LIBRARY AS A WHOLE Statement of Activities
\$ 170,013		\$ 170,013
58,303		58,303
6,204		6,204
23,275		23,275
33,057		33,057
13,393		13,393
3,447		3,447
(304)		(304)
1,623		1,623
172	\$ (127)	45
<u>309,183</u>	<u>(127)</u>	<u>309,056</u>
171,621	2,008	173,629
27,229	(20,225)	7,004
6,419		6,419
12,860		12,860
4,278		4,278
9,678		9,678
4,304		4,304
4,197	(2,594)	1,603
6,876		6,876
5,996		5,996
-	44,744	44,744
1,725		1,725
1,624		1,624
455		455
2,704		2,704
<u>259,966</u>	<u>23,933</u>	<u>283,899</u>
<u>49,217</u>	<u>(24,060)</u>	<u>25,157</u>
24,571		24,571
(24,571)		(24,571)
<u>-</u>	<u>-</u>	<u>-</u>
49,217	(24,060)	25,157
<u>764,899</u>	<u>649,763</u>	<u>1,414,662</u>
<u>\$ 814,116</u>	<u>\$ 625,703</u>	<u>\$ 1,439,819</u>

RAWSON MEMORIAL LIBRARY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL TRUST AND AGENCY FUNDS
December 31, 2006

	LITERACY COUNCIL			
	BALANCE JANUARY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2006
<u>ASSETS</u>				
Due from other funds	\$ 6,350	\$ 1,600	\$ 521	\$ 7,429
TOTAL ASSETS	\$ 6,350	\$ 1,600	\$ 521	\$ 7,429
<u>LIABILITIES</u>				
Due to other Agencies	\$ 6,350	\$ 1,600	\$ 521	\$ 7,429
TOTAL LIABILITIES	\$ 6,350	\$ 1,600	\$ 521	\$ 7,429

The accompanying notes are an integral part of these financial statements.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rawson Memorial Library is a District Library organized under Section 6, Public Act 24 of 1989, located in Cass City, Michigan. The participating municipalities include Elkland Township, Village of Cass City, Novesta Township and Elmwood Township. The District Library Organizational Plan was dated December 6, 1989.

The District Library will be governed by a board consisting of eight appointed board members and serves the geographical areas of the municipal members.

The major accounting principles and practices followed by the Library are presented below to assist the reader in understanding the financial statements and the accompanying format of the financial statements for all funds presented in conformity with generally accepted accounting principles applied to governmental units.

BASIS OF ACCOUNTING:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the basic financial statements of the Rawson Memorial Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the fiscal year following the December 1 levy date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Fund Financial Statements (Continued):

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Capital Improvement Fund and the Endowment Fund are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures. The Endowment fund was established May 15, 1990. The income from this fund will be transferred to the general fund for operating purposes. Capital from this fund can be transferred by a two-thirds majority vote of the entire library board. The investment of the fund will be at the discretion of the library board.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

Cash and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes – The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. Rawson Memorial receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year following the December 1 levy date. The Library levied 1.10 mills on an SEV of \$193,784,810 on all property within the district. A millage proposal was passed in August, 2006. The Library has a millage levy of .75 mills for 10 years, 2003 to 2012; the renewal millage is a levy of .35 mills for 4 years from 2006 to 2009. These mills will be levied by the Library as of December 1, 2006 for the .35 mills and as of December 1, 2004 for the .75 mills. The .75 levy was reduced by the Headlee rollback.

Capital Assets – Capital assets are defined by the Library as assets other than technology related with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets for technology related equipment used an acquisition cost of \$1,000 or more and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Capital Assets (Continued):

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 50 years
Furniture and equipment	5 – 20 years
Library books and videos	5 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balance – Modified-accrual Basis	\$ 814,116
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	634,916
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(9,213)
Total Net Assets – Full-accrual Basis	<u>\$1,439,819</u>

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (Continued):

Net Change in Fund Balances – Modified-accrual Basis	\$49,217
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Amounts reported in the statement of revenues, expenditures, and changes in fund balances are different because:

Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and videos	20,225
Equipment & Improvements	2,594
Depreciation expense	(44,744)
Loss on sale of assets	(127)

Amounts accrued for compensated absences are not reflected as expenses in the fund statements	<u>(2,008)</u>
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Change in Net Assets – Full-accrual Basis	<u>\$25,157</u>
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NOTE 3 - DEFINED CONTRIBUTION PENSION PLAN:

The Library established a Simplified Employee Pension Plan during 1984, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to ten (10%) percent of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$13,557 during 2006.

NOTE 4 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The Library does not maintain a formalized encumbrance accounting system.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

(Continued):

3. Prior to January 1, the budget is legally adopted by Board of Trustees resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31.

NOTE 5 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, the bank balances were \$835,814. The carrying amount of the Library's deposits was \$822,013. Of the balance \$556,000 was covered by federal depository insurance. All Library deposits are uncollateralized, except the assets held in the Chemsweep account in excess of the FDIC limit, which are fully collateralized by the Bank. The Bank has pledged U.S. Treasury securities with the Federal Reserve Bank in Chicago to guarantee the funds.

Investments:

State statutes authorize the Library to invest in obligations of the United States, or agencies and instrumentalities of the U.S., commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptances, and mutual funds.

The Library's investments are categorized below to give an indication of the level of risk assumed at year ended. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name. The Library held no Category 1, 2 & 3 investments during 2006. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

RAWSON MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - CHANGES IN CAPITAL ASSETS:

The adjustments column is to adjust prior year balances to the December 31, 2006 actual in accordance with new capitalization policy. A summary of changes in general fixed assets follows:

	BALANCE JANUARY 1, 2006	<u>ADDITIONS</u>	<u>ADJUSTMENTS</u>	BALANCE DECEMBER 31, 2006
Land	\$ 41,037			\$ 41,037
Buildings	722,618			722,618
Computer Equipment	48,206	\$2,594		50,800
Library Books	125,642	20,225	\$(31,220)	114,647
Machinery & Equipment	<u>9,652</u>		<u>(198)</u>	<u>9,454</u>
	947,155	22,819	(31,418)	938,556
Accumulated Depreciation	(290,187)	(44,744)	31,291	(303,640)
Net Capital Assets	<u>\$656,968</u>	<u>\$(21,925)</u>	<u>\$ (127)</u>	<u>\$634,916</u>

Depreciation for the fiscal year ended December 30, 2006 amounted to \$44,744.

NOTE 7 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 8 – LEASES:

The Library leases a color copier under an operating lease agreement that expires in 2007. Lease expense amounted to \$4,404. At December 31, 2006, future lease payments under such leases are as follows:

<u>December 31</u>	
2007	2,202

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund		\$12,471
Endowment Fund	\$ 5,042	
Agency Fund	<u>7,429</u>	<u> </u>
Total	<u>\$12,471</u>	<u>\$12,471</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 10- TRANSFERS:

The endowment fund and the capital improvement fund transferred \$24,203 and \$368, respectively, to the general fund during the current fiscal year. Transfer from endowment fund was to subsidize operations. The transfer from capital improvement fund was for capital purchases.

REQUIRED SUPPLEMENTARY INFORMATION

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET			VARIABLE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Taxes	\$ 166,000	\$ 170,000	\$ 170,013	\$ 13
Penal fines	43,000	58,000	58,303	303
State aid	6,000	6,200	6,204	4
Gifts and bequests	17,000	17,500	23,275	5,775
Interest income	3,250	7,000	8,724	1,724
Charges for service	12,070	13,001	13,393	392
Book fines	4,300	3,300	3,447	147
Newspaper project	2,400	1,998	1,623	(375)
Other revenues	300	171	172	1
TOTAL REVENUES	254,320	277,170	285,154	7,984
EXPENDITURES:				
Salaries	149,000	149,000	143,124	5,876
FICA	11,500	11,500	10,949	551
Retirement	13,900	13,900	13,557	343
Health Insurance	4,100	4,100	3,991	109
Books and periodicals, etc.	36,050	28,789	27,229	1,560
Supplies	6,450	6,575	6,419	156
Utilities & phone	15,070	14,616	12,860	1,756
Professional services	3,200	4,430	4,278	152
Maintenance	11,750	10,800	9,678	1,122
Memberships	4,000	4,309	4,304	5
Equipment & improvements	3,000	3,500	4,197	(697)
Copier expense	7,000	7,000	6,876	124
Insurance	6,100	6,020	5,996	24
TIFA (Village)	1,500	1,725	1,725	-
Newspaper project	2,400	1,998	1,624	374
Other expenditures	2,300	2,500	2,704	(204)
TOTAL EXPENDITURES	277,320	270,762	259,511	11,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,000)	6,408	25,643	19,235
OTHER FINANCING SOURCES (USES)				
Transfers in	23,000	20,000	24,571	4,571
Transfers out				-
TOTAL OTHER FINANCING SOURCES (USES)	23,000	20,000	24,571	4,571
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ 26,408	50,214	\$ 23,806
FUND BALANCE JANUARY 1, 2006			181,661	
FUND BALANCE DECEMBER 31, 2006			<u>\$ 231,875</u>	

See the accompanying notes.

RAWSON MEMORIAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
ENDOWMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET			VARIABLE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Interest income	\$ 23,000	\$ 20,000	\$ 24,203	\$ 4,203
Loss on CD			(304)	(304)
Gifts and bequests				-
TOTAL REVENUES	<u>23,000</u>	<u>20,000</u>	<u>23,899</u>	<u>3,899</u>
EXPENDITURES:				
Equipment				-
Trust fees			455	(455)
Miscellaneous				-
TOTAL EXPENDITURES		<u>-</u>	<u>455</u>	<u>(455)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,000</u>	<u>20,000</u>	<u>23,444</u>	<u>3,444</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			-	-
Transfers out	<u>(23,000)</u>	<u>(20,000)</u>	<u>(24,203)</u>	<u>(4,203)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,000)</u>	<u>(20,000)</u>	<u>(24,203)</u>	<u>(4,203)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>(759)</u>	<u>\$ (759)</u>
FUND BALANCE JANUARY 1, 2006			<u>583,000</u>	
FUND BALANCE DECEMBER 31, 2006			<u>\$ 582,241</u>	

See the accompanying notes.

SUPPLEMENTARY INFORMATION

RAWSON MEMORIAL LIBRARY
COMBINING BALANCE SHEET -
SPECIAL REVENUE FUNDS
December 31, 2006

	<u>ENDOWMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash on hand & in banks	\$ 121,199		\$ 121,199
Certificates of deposits	456,000		456,000
<u>TOTAL ASSETS</u>	<u>\$ 577,199</u>	<u>\$ -</u>	<u>\$ 577,199</u>
 <u>LIABILITIES & FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to other funds	\$ (5,042)		\$ (5,042)
 FUND BALANCE			
Reserved	\$ 582,241	-	582,241
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 577,199</u>	<u>\$ -</u>	<u>\$ 577,199</u>

See the accompanying notes.

RAWSON MEMORIAL LIBRARY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS
December 31, 2006

	ENDOWMENT FUND	CAPITAL IMPROVEMENT FUND	TOTAL	BUDGET TOTAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:					
Interest income	\$ 24,203	\$ 130	\$ 24,333	\$ 22,010	\$ 2,323
Loss on CD	(304)		(304)		(304)
Gifts and bequests			-		-
TOTAL REVENUES	23,899	130	24,029	22,010	2,019
EXPENDITURES:					
Equipment			-	1,500	1,500
Trust fees	455		455		
Miscellaneous			-	510	510
TOTAL EXPENDITURES	455	-	455	2,010	2,010
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,444	130	23,574	20,000	3,574
OTHER FINANCING SOURCES (USES)					
Transfers in			-		-
Transfers out	(24,203)	(368)	(24,571)	(20,000)	(4,571)
TOTAL OTHER FINANCING SOURCES (USES)	(24,203)	(368)	(24,571)	(20,000)	(4,571)
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(759)	(238)	(997)	-	(997)
FUND BALANCE JANUARY 1, 2006	583,000	238	583,238	583,238	-
FUND BALANCE DECEMBER 31, 2006	\$ 582,241	\$ -	\$ 582,241	\$ 583,238	\$ (997)

See the accompanying notes.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

May 17, 2007

To the Board of the Rawson Memorial Library,

In planning and performing our audit of the financial statements of Rawson Memorial Library as of and for the year ended December 31, 2006 in accordance with auditing standards generally accepted in the United States of America, we considered Rawson Memorial Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Rawson Memorial Library, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Library, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
Rawson Memorial Library

May 17, 2007
Page two

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated May 17, 2007 on the financial statements of Rawson Memorial Library. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Time Card Approval

While performing our audit procedures, it was noted that there is one employee who approves her own timecard. To strengthen controls, it is recommended that that no one approve their own timecard.

Segregation of Duties

Due to the limited number of people working in the business office, many critical duties are combined and given to the available employees. Presently, a single individual prepares checks, reconciles bank accounts, and maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the library segregate bank account reconciliation duties from cash receipts and/or cash disbursement duties.

FDIC INSURANCE

In most cases, FDIC insurance on money held at financial institutions is limited to \$100,000 per depositor. The Library currently has amounts in excess of the insurance amount on deposit. We recommend that the Library review the risk associated with this situation.

This communication is intended solely for the information and use of management, Rawson Memorial Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Caro, Michigan
May 17, 2007